Rossendalealive
BOROUGH COUNCIL

ITEM NO. E1

Subject:	Financial Monitoring 2014/15 Update		**Status:**	For Publication	
Report to:	Cabinet		**Date:**	17th September 2014	
Report of:	Finance Manager		**Portfolio Holder:**	Finance and Resources	
Key Decision:	☐	Forward Plan ☒	General Exception ☐	Special Urgency ☐	
Community Impact Assessment:	Required:	~~Yes~~/No	Attached:	~~Yes~~/No	
Biodiversity Impact Assessment	Required:	~~Yes~~/No	Attached:	~~Yes~~/No	
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1.	**RECOMMENDATION(S)**
1.1	The Members note the contents of the report.

2. PURPOSE OF REPORT

2.1 As reported previously to Members, Officers are now publishing the full reporting pack on a quarterly basis. This is the first report for 2014/15 and in the interest of ensuring that the most up to date information is provided, it covers April to July, rather than purely quarter 1.

3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.
- **Responsive Value for Money Services**: This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
- **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

The primary focus of the Council's budget setting is to support its Corporate priorities.

4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- Financial monitoring of General Fund service departments focuses on the key risk areas of employee costs, income, implementation of agreed budget savings, emerging issues and opportunities and in particular service department net expenditure.
- Budget setting for future years is now treated as an integral part of financial monitoring during the current year. Progress in identifying and implementing further savings to meet the challenges in the Medium Term Financial Strategy (MTFS) are being reported as they begin to impact upon the 2014/15 out-turn.
- The budget-setting exercise for 2015/16 and beyond identified a further reduction in resources over the medium term producing a future in-year deficit now totalling up to

£1.7m by 2018/19. Members, collectively, continue to face some difficult choices in order to balance expenditure with available resources over the medium term.

- Risks associated with treasury management practices are managed within the Council's Treasury Management Strategy and Treasury Management Practices documents (latest approved in February 2014).
- The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2014/15 and in the years to come.

5. BACKGROUND AND OPTIONS

5.1 2014/15 Forecast

The Budget for 2014/15 was set back in February at a net £8,905k. At the end of July officers are now predicting that there will be a net favourable variance of £43k, but this after the following proposed transfers to Reserves:

- Additional £189k of New Homes Bonus transferred to the Transitional Reserve.
- Additional licensing income of £486k transferred to the Transitional Reserve.
- Additional £100k transferred to the Vehicle Reserve.

Given that the General Fund Reserve has already reached the MTFS target of £1m officers propose to transfer any net variance for the year to the Transitional Reserve. This would mean a predicted total on that Reserve at the year-end of £1,937k.

The main variances being reported are in Appendix 1 on pages 4 and 5, these include savings on fuel and vehicle repairs plus additional income from partnership working with LCC, but adverse variances on property rental incomes, interest on bank balances and the VAT Shelter income.

At this stage there are no significant variances on savings included within the original budget and the MTFS planning that are not reported in Appendix 1.

5.2 Reserves

In line with the Medium Term Financial Strategy reported to Cabinet in June, the Transitional Reserve is being built up to provide General Fund support from 2015/16 onwards. The report to Cabinet back in June showed a requirement for £1,992k to support the revenue budgets up to 2017/18. Therefore another £54.4k would be required in this Reserve to meet the MTFS needs over the next 3 years.

The total reserves at the beginning of the financial year were £7,180k, and this is expected to increase to £7,943k by the end of the year and then drop to £5,569k by the end of March 2019.

5.3 Government Grants Unapplied

The opening value of Government Grants Unapplied at the 1st April 2014 was £683k. This included £376k of Housing Capital Pot and £270k of Homes and Communities Agency (HCA) Grants.

Rossendale is administering the Homes and Communities Agency Grant from East Lancashire. A further £1,039k has been received in the year to date and £1,228k has been invested in homes across Rossendale and its neighbouring authorities. This brings the total number of properties brought back into use up to 304, with 73 (24%) within Rossendale.

The only other active grant is the Disabled Facilities Grant and the 2014/15 grant was received in early April, along with an indicative level for 2015/16. Similar funds beyond 2015/16 are not guaranteed, so the balance of housing capital pot grants will be directed to support these works beyond April 2016.

The forecast balance at March 2015 is now revised to £319k, which is expected to reduce to £25.2k by March 2017.

5.4 **Staffing**

During the first four months 0.8 FTEs have been removed from the establishment. Of the remaining 162.2 FTEs, there are 2 vacant post at the end of July. These changes have contributed to cash savings on staff costs of £61k, projected to rise to £133k for the full year.

5.5 **Treasury Management**

Interest rates have fallen further in the first four months of the year and instant access accounts are now only realising 0.25% (less than the Base Rate for the first time). To counteract this officers are in the process of opening an instant access account with Lloyds which will earn 0.4% at the moment.

Given advice that rates are due to increase, officers are keeping investments shorter than usual and the £2m deposit which matured at the beginning of July has only been rolled over for 6 months, but this has impacted upon the rate achievable of only 0.7%. In an effort to maintain some of the interest income officers are maximising the use of the Handelsbanken 35-day notice account which is giving 0.6% for the £5m deposited. We have also placed £2m in a Lloyds 32-day notice deposit facility to earn 0.57%.

The impact is an adverse prediction of £30k on the interest income.

At almost £1.5m, the level of invoices issued since April is 25% up on last year and this has led the outstanding debt value to rise to £702k. Of this 51% is under a month old and so not strictly overdue yet, but this has impacted on both the debtor days (rising from 60 days at year-end to 88 days in the 12 months to the end of July) and in terms of the potential doubtful debts. Though the doubtful debts level looks to be above £196k, officers are in negotiations with a developer to resolve issues pertaining to one large invoice from August 2013. There may be a need to make further bad debt provision by the year-end.

5.6 **Capital Receipts and Capital Programme**

Receipts from asset sales have been slow in the first four months, but officers are still optimistic about achieving the target of £100k.

The £896k of slippage on capital projects crossing the financial year-end has been added to the approved capital programme for the year of £910k. New projects have added a further £261k to date, mainly the GVH approval of up to £200k of DFG works to their properties and £60k of sports grants have been received to allow the renovation of Marl Pits pavillion to be expanded. This means that the revised capital programme for 2014/15 now totals £2,067k.

In terms of capital activity, the parks equipment was received in time for the summer season and the Marl Pits pavilion work is almost complete. Staff have begun to work on the vehicle replacement programme in order to ensure that the vehicles are operational in time for the beginning of 2015/16 financial year.

5.7 **Collection Fund – Council Tax and NNDR**

Collection rates for both Council Tax and Business Rates are marginally down on this time last year, but both are predicting a year-end surplus at this stage.

Council Tax has seen policy changes for empty property reliefs and a slow-down in rating appeals which look set to return a surplus of £198k for the Council.

Business Rates variances include changes to the S31 Grant which compensates the Council for loss of income from national decisions to extend reliefs for business and these could lead to a surplus of £138k for the Council against budget.

6. SECTION 151 OFFICER

6.1 Financial matters are noted in the report attached.

7. MONITORING OFFICER

7.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

8.1 Unless specifically commented upon within the report, there are no implications for consideration.

9. CONSULTATION CARRIED OUT

9.1 Directors, Heads of Services and Budget Holders

10. CONCLUSION

10.1 Robust monitoring of the General Fund is essential to control risks expressed in section 4.

10.2 Despite a continued cost reduction programme, the challenge remains for Council to continue its efficiency agenda in order to realise its medium term saving target, which given recent consultation is likely to increase. Members, collectively, continue to face difficult choices in order to balance expenditure with available resources over the medium term.

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Background Papers	
Documents	Place of Inspection
Financial monitoring statements for each service area.	Financial Services.
Banking sector credit reports	Financial Services